

South Carolina Electric & Gas Company
Annual Review of Base Rates for Fuel Costs

Docket No. 2003-2-E

Testimony of
A. R. Watts
Utilities Department

Public Service Commission of South Carolina

1 **TESTIMONY OF A. R. WATTS**
2 **FOR**
3
4 **THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**
5
6 **DOCKET NO. 2003-2-E**
7
8 **IN RE: SOUTH CAROLINA ELECTRIC & GAS COMPANY**
9
10 **Annual Review of Base Rates for Fuel Costs**
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12

13 **Q. WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**
14 **OCCUPATION?**

15 A. A. R. Watts, 101 Executive Center Drive, Columbia, South Carolina. I am employed
16 by The Public Service Commission of South Carolina, Utilities Department, as Chief
17 of Electric.

18 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
19 **EXPERIENCE.**

20 A. I received a Bachelor of Science Degree in Electrical Engineering from the
21 University of South Carolina in Columbia in 1976. I was employed at that time by
22 this Commission as a Utilities Engineer in the Electric Department and was
23 promoted to Chief of the Electric Department in August 1981. I have been in my
24 current position since October 1999. I have testified before this Commission in
25 conjunction with fuel clause, complaint, territorial assignment, Siting Act, and
26 general rate proceedings.

27 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
28 **PROCEEDING?**

29 A. The purpose of my testimony is to summarize Staff's findings as set forth in the
30 Utilities Department's portion of the Staff Report, and provide a review of the
31 methodology used in determining the variable O&M component of the Company's
32 avoided costs.
33

1 **Q. WHAT SPECIFIC AREAS WERE ENCOMPASSED BY**
2 **STAFF'S EXAMINATION?**

3 **A.** The Utilities Department's examination of the Company's fuel operations consisted
4 of a review of the Company's monthly operating reports, review of the currently
5 approved Adjustment For Fuel Costs tariff, and review of the Company's short-term
6 projections of kilowatt-hour sales and fuel costs.

7 **Q. DID STAFF EXAMINE THE COMPANY'S PLANT OPERATIONS FOR**
8 **THE PERIOD?**

9 **A.** Yes, we reviewed the Company's operation of its generating facilities, including
10 special attention to the nuclear plant operations, to determine if the Company made
11 every reasonable effort to minimize fuel costs.

12 **Q. HAVE YOU DETERMINED THAT ANY SITUATIONS WARRANT**
13 **DETERMINATION THAT THE COMPANY HAS ACTED**
14 **UNREASONABLY IN OPERATING ITS FACILITIES AND THEREBY**
15 **CAUSING ITS CUSTOMERS TO BE SUBJECT TO PAYING HIGHER**
16 **FUEL COSTS?**

17 **A.** No. The VC Summer Nuclear Station operated very well during this review period,
18 achieving an overall average capacity factor of 87.3 % which included a complete
19 refueling outage.
20 The Company's major unit's availability and capacity factors are shown on Utilities
21 Department Exhibit No. 1.

22 **Q. WOULD YOU BRIEFLY EXPLAIN THE REMAINING UTILITIES**
23 **DEPARTMENT'S EXHIBITS?**

24 **A.** Exhibit Nos. 2A and 2B show the Company's nuclear and fossil unit outages for the
25 months of March 2002 through February 2003, listing the plants by unit, duration of
26 the outage, reason for the outage, and corrective action taken. Exhibit No. 3 lists the
27 Company's percentage Generation Mix by fossil, nuclear, and hydro for the period
28 March 2002 through February 2003. Exhibit No. 4 reflects the Company's major
29 plants by name, type of fuel used, average fuel cost in cents per KWH to operate, and
30 total megawatt-hours generated for the twelve months ending February 2003.

1 MWHs were then multiplied by the variable O&M of the each resource category to
2 provide the corresponding dollar amount by resource by month. The monthly total
3 dollar amounts were then divided by the monthly total avoided MWH generation to
4 give a weighted monthly average avoided O&M cost on a dollar per megawatt-hour
5 (\$/MWH) basis. These weighted monthly avoided O&M costs were used by the
6 Audit Staff in determining the proper fuel expense for the period.

7 I consider this a reasonable and appropriate approach in determining the O&M
8 component of the full variable costs.

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A.** Yes, it does.